



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
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DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

June 21, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

**EMERGENCY MEDICAL SERVICES COMMISSION'S RECOMMENDATION TO
SUPPORT THE EMERGENCY AND MEDICAL SERVICES INITIATIVE, AND
RESPONSE TO QUESTIONS RELATING TO LOCAL FUNDING (ITEM NO. 31,
AGENDA OF JUNE 22, 2004)**

Item No. 31 on the June 22, 2004 Agenda is 1) the recommendation from the Emergency Medical Services Commission (EMSC) to support the Emergency and Medical Services Initiative, and 2) the recommendation from Supervisors Knabe and Antonovich to direct the Chief Administrative Officer to review the State Legislative Analyst's Office (LAO) report on the Initiative regarding the transfer of Maddy Emergency Services and Proposition 99 funds from the County to the State and to report back to the Board within one week with findings. Attachment I includes materials previously provided to the Board regarding this matter.

The Emergency and Medical Services Initiative

The Emergency and Medical Services Initiative, sponsored by the Coalition to Preserve Emergency Care, would increase the surcharge on telephone calls made within California to fund 911 emergency dispatch, emergency rooms, trauma centers, and emergency doctors. The measure would increase the 911 surcharge by 3 percent. It would cap the cost of the overall surcharge for residential telephone customers at a maximum of 50 cents per month, and exempt senior citizens and others who receive lifeline service. However, the cap on residential customers would not apply to mobile or commercial telephone users. The Initiative would also create a Commission within the California Department of Health Services to advise the Department Director on the administration of the funds created by the measure.

The LAO estimates that increasing the existing emergency telephone surcharge on calls made within California by 3 percent, would generate about \$550 million in additional annual revenues, which would probably increase in future years.

Effect on Maddy and Proposition 99 Funds

The LAO report (Attachment II) indicates that, under State and Federal law, any person seeking emergency medical care must be provided such care regardless of their ability to pay. Some of the cost of this uncompensated care is offset by various State and county government subsidies. The current State budget allocates about \$25 million to help pay for physician uncompensated emergency care from State tobacco tax revenues received under a 1988 initiative known as Proposition 99.

Counties are also authorized to establish a Maddy Emergency Medical Services Fund comprised of criminal fines and penalties. After the cost of administering the fund is deducted (up to 10 percent), counties must use 58 percent of the remaining funds to reimburse physicians for uncompensated emergency and trauma care, 25 percent to reimburse hospitals for such care, and 17 percent for other emergency medical services.

Overall, the LAO indicates the initiative would result in the transfer of about \$32 million annually to the State from county Maddy Funds for physician uncompensated care. It would also allocate about \$32 million annually in Proposition 99 funds to reimburse physicians and community clinics for uncompensated care. The County's share of Maddy funds and Proposition 99 physician funds are \$8.6 million and \$9 million, respectively.

Maddy Funds. The LAO reports that the initiative would transfer a portion of the local Maddy revenues to the State. The portion transferred would be the 58 percent share for physician reimbursements.

However, the initiative authorizes a county to petition the State to locally administer its existing Maddy funds, as well as the additional funding made available under the initiative. Department of Health Services (DHS) staff report that they have received an indication from the California Department of Health Services staff that the County, considered to have one of the model physician reimbursement programs, would likely be approved to continue to manage the physician funds.

Proposition 99 Funds. The LAO indicates that the initiative would protect certain Proposition 99 funds at the expense of other programs. This would occur by requiring that the appropriation of Proposition 99 funding to reimburse physicians and community clinics for uncompensated care, be continued in future years at current levels despite the overall decline in Proposition 99 revenues.

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June 21, 2004
Page 3

Among the Proposition 99-supported programs of County interest that would be affected are; tobacco control, and the California Healthcare for Indigents Program (CHIP). The County's annual tobacco control and CHIP allocations are about \$3.7 million and \$11.6 million, respectively. As a result of the initiative, tobacco control and CHIP funds would likely decline, and at a rate faster than experienced in recent years. However, the program areas supported by CHIP funds, namely uncompensated hospital services, would increase overall due to the new funding from the increased telephone surcharge.

County Policy and Recommendation

Historically, the County has supported emergency medical and trauma care funding. For example, the County sponsored Measure B in 2002, which raised property taxes for emergency and trauma care, and SB 726 (Romero), which would provide the County with the authority to pursue a local alcohol tax for similar purposes. The County's State Legislative Agenda adopted by the Board on December 16, 2003, includes the following policy statements: 1) reaffirm the County's commitment to the trauma care system in Los Angeles County, and continue to work with the Statewide coalition to seek a continuation of State funding for trauma centers, and 2) support measures to provide permanent, stable funding for the County's public and private emergency and trauma care system.

The Department of Health Services recommends that the County support the initiative because it would provide new funding to stabilize emergency and trauma care locally. However, because there is no existing County policy on increasing the telephone surtax to fund emergency medical services, support for this measure is a matter for Board policy determination.

DEJ:GK
MAL:JF:MS:ib

Attachments

c: Executive Officer, Board of Supervisors
 County Counsel
 Department of Health Services



MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Violet Varona-Lukens, Executive Officer
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

At its meeting held May 18, 2004, the Board took the following action:

79

The following item was called up for consideration:

The Emergency Medical Services Commission's recommendation to support the State ballot initiative sponsored by the Coalition to Preserve Emergency Care, to increase the surcharge on telephone calls made within California to fund 9-1-1 emergency dispatch, emergency rooms, trauma centers and emergency doctors; and approve the following related actions:

Support the ongoing State emergency services appropriation to protect funding for physician call panels (AB 1762);

Request the Emergency Medical Services (EMS) Agency to request the State Department of Health Services to provide clarification on the monitoring process for nurse staffing ratios; and an opinion on Title 22 and potential conflicts with Federal law and Emergency Transfer And Labor Act, specifically as they relate to nurse staffing ratios;

Support legislation to develop additional nursing programs or to expand existing programs to educate more nurses in the State of California;

Request the EMS Agency to distribute copies of the Public Hearing transcript to the Los Angeles County Legislative Delegation;

(Continued on Page 2)

79 (Continued)

Request the EMS Agency to work with the Department of Health Services, or any other agencies, to bring back recommendations on how best to organize a study process of the broader issues impacting the County EMS system; and

Convey to the Board that the implementation of the nurse staffing ratios may result in the closure of inpatient beds resulting in a backup in emergency departments and ultimately, a backup into the prehospital setting resulting in a deleterious impact to public safety.

After discussion, on motion of Supervisor Burke, seconded by Supervisor Knabe, unanimously carried, the Emergency Medical Services Commission's attached recommendations were approved with the exception of the portion relating to support of the 911 Emergency and Trauma Care Act ballot initiative which was continued four weeks to June 15, 2004.

8051804-79

Attachment

Copies distributed:

- Each Supervisor
- Chief Administrative Officer
- County Counsel
- Director of Health Services
- Director, Emergency Medical Services Agency

Letter sent to:

- Chair, Emergency Medical Services Commission



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

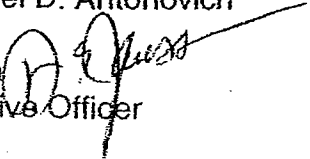
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Attachment

DAVID E. JANSSEN
Chief Administrative Officer

May 14, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen 
Chief Administrative Officer

Board of Supervisors
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Third District

DON KNABE
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MICHAEL D. ANTONOVICH
Fifth District

**EMERGENCY MEDICAL SERVICES COMMISSION'S RECOMMENDATIONS TO
ADDRESS THE IMPENDING CRISIS IN EMERGENCY MEDICAL SERVICES
(ITEM NO. 79, AGENDA OF MAY 18, 2004)**

Item No. 79 on the May 18, 2004 Agenda is a report from the Emergency Medical Services Commission (EMSC) on the November 13, 2003 public hearing hosted by the Commission to examine the impending crisis in emergency medical services in Los Angeles County. At the Board meeting of March 16, 2004, the item was continued pending qualification of the State ballot initiative (known as the 911 Emergency and Trauma Care Act) recommended for support by the EMSC. Previously, my office has provided the Board with additional information about the initiative which is attached.

As a result of its November 2003 hearing, the EMSC developed seven recommendations, three of which address either a proposed State ballot measure or legislative issues. The recommendations are to support 1) the State ballot initiative sponsored by the Coalition to Preserve Emergency Care, 2) the ongoing State emergency services appropriation to protect funding for physician call panels, and 3) legislation to develop additional nursing programs, and to expand existing programs to educate more nurses in the State of California.

Status of the 911 Emergency and Trauma Care Act

The 911 Emergency and Trauma Care Act initiative sponsored by the Coalition to Preserve Emergency Care would increase the surcharge on telephone calls made within California to fund 911 emergency dispatch, emergency rooms, trauma centers, and emergency doctors. According to media accounts, proponents submitted sufficient signatures to

qualify for the November ballot. County elections officials are currently verifying the signatures before forwarding them to the Secretary of State. On April 7, 2004, the California Healthcare Association, one of the members of the Coalition, announced it was withdrawing participation in the ballot initiative campaign because recent research and polling results suggested that the timing is not right for placing the initiative before voters.

The Department of Health Services (DHS) recommends the County support the initiative because it would provide new funding to stabilize emergency and trauma care locally. However, because there is no existing County policy regarding increasing the telephone surtax to fund emergency medical services, support for this measure is a matter for Board policy determination.

Funding for Physician Call Panels

AB 1762, the budget trailer bill addressing health issues in the 2003-04 State Budget, included a \$25 million appropriation for distribution to physicians providing uncompensated emergency services on physician call panels. Physician call panels are lists of physicians who agree to be on call to provide emergency medical services at specific hospitals. The County supported this budget appropriation consistent with existing legislative policy to support proposals to provide permanent, stable funding for the County's public and private emergency and trauma care system. This policy was reaffirmed in the State Legislative Agenda for the second year of the 2003-04 State Legislative Session approved by the Board on December 16, 2003. Because this funding will help hospitals maintain current levels of trauma and emergency services by ensuring that physicians will continue to participate on call panels, **DHS recommends that the County support ongoing State appropriations for Emergency Medical Services, and we concur.**

Funding for Nursing Programs

The Department of Health Services/Emergency Medical Services indicates that expanding educational programs, developing innovative approaches to attract students to nursing, and supporting them through the program, will help to decrease the nationwide nursing shortage and ensure adequate nursing staff for the future.

Historically, the County has supported a number of measures which were intended to increase the availability of nursing staff. For example, the County sponsored SB 885 (Polanco) in the FY 2001-02 Legislative Session seeking a \$3 million State appropriation for the Los Angeles County College of Nursing and Allied Health to expand the program and help to address the nursing shortage in California. However, SB 885 died in the Senate Education Committee without a hearing. The County is currently supporting AB 2989 (Corbett) which would extend the maximum amount of time CalWORKs recipients

Each Supervisor
May 14, 2004
Page 3

who are enrolled in registered nursing programs may receive aid. The County is seeking amendments to the bill to also apply the extension to recipients enrolled in Licensed Vocational Nursing programs, and to require nursing program graduates to work in underserved areas for at least two years after graduation. AB 2989 is awaiting a hearing date in the Assembly Appropriations Committee.

DHS recommends that the County support legislation to develop additional nursing programs, and to expand existing programs to educate more nurses in the State of California, and we concur. Support for such legislation is consistent with existing County legislative policy to support State funding for the Los Angeles County College of Nursing and Allied Health, and enhanced funding for nursing education and training at public universities and teaching hospitals.

DEJ:GK
MALJF:MS:ib

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Department of Health Services



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DAVID E. JANSSEN
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Board of Supervisors
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First District

YVONNE BRATHWAITE BURKE
Second District

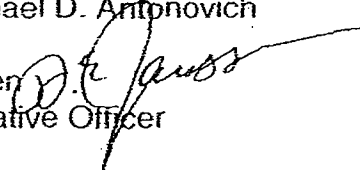
ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

March 12, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen 
Chief Administrative Officer

**EMERGENCY MEDICAL SERVICES COMMISSION'S RECOMMENDATIONS TO
ADDRESS THE IMPENDING CRISIS IN EMERGENCY MEDICAL SERVICES
(ITEM NO. 70, AGENDA OF MARCH 16, 2004)**

Item No. 70 on the March 16, 2004 Agenda is a report from the Emergency Medical Services Commission (EMSC) on the November 13, 2003 public hearing hosted by the Commission to examine the impending crisis in emergency medical services in Los Angeles County. At the Board meeting of January 20, 2004, the item was continued pending qualification of the State ballot initiative recommended for support by the EMSC (known as the 911 Emergency and Trauma Care Act), and for additional information about the initiative.

As a result of their November 2003 hearing, the EMSC developed seven recommendations, three of which address either a proposed State ballot measure or legislative issues, and are the focus of this memo. The recommendations are to support 1) the State ballot initiative sponsored by the Coalition to Preserve Emergency Care, 2) the ongoing State emergency services appropriation to protect funding for physician call panels, and 3) legislation to develop additional nursing programs, and to expand existing programs to educate more nurses in the State of California.

This memo provides additional information about the 911 Emergency and Trauma Care Act initiative. Our previous report on EMSC recommendations is attached.

Status of the 911 Emergency and Trauma Care Act

The 911 Emergency and Trauma Care Act initiative sponsored by the Coalition to Preserve Emergency Care would increase the surcharge on telephone calls made within California to fund 911 emergency dispatch, emergency rooms, trauma centers, and emergency doctors. The measure is in circulation until April 12, 2004, and has yet to qualify for the November ballot. (Our memo of January 8, 2004 incorrectly noted the deadline as January 12, 2004.) In order to qualify, the measure needs 598,105 signatures.

Revenue and Allocation Provisions of the 911 Emergency and Trauma Care Act

Under current law, the State imposes a surcharge on each monthly telephone bill, including mobile telephones, and the revenues are deposited into the State Emergency Telephone Number (911) Account. The 911 Account is used to reimburse government agencies and telephone companies for equipment and related costs associated with the California 911 system.

The current surcharge is applied to all charges for intrastate telephone calls, and has a floor of 0.5 percent and a cap of 0.75 percent. Each year, the California Department of General Services determines the surcharge rate based on an estimate of the costs of the California 911 system. The current surcharge rate is 0.72 percent, and does not apply to lifeline telephone service or coin-operated telephones. The surcharge is collected via monthly telephone bills and generated an estimated \$132.5 million in 2003-04. Over the past number of years, increases in 911 Account revenues have been attributable to increased mobile telephone usage.

The 911 Emergency and Trauma Care Act initiative would increase the 911 surcharge by 3 percent. The measure would cap the cost of the overall surcharge for residential telephone customers at a maximum of 50 cents per month and exempt senior citizens and others who receive lifeline service. However, the cap on residential customers would not apply to mobile or commercial telephone users. The Legislative Analyst has estimated the 3 percent increase in the surcharge would generate about \$550 million annually.

The measure would allocate the revenue as follows: 60% (\$330 million) to emergency and trauma hospital services, 30.5% (\$167 million) to emergency and trauma physician services, 5% (\$27.5 million) to community clinics which provide urgent and primary care services, 3.75% (\$20.6 million) to emergency and trauma first responders and paramedics, and 0.75% (\$4.1 million) to the existing 911 Account. The funding for hospital, physician, and clinic services would reimburse the costs of care rendered to uninsured and underinsured patients, and the funding for first responders is targeted for training and equipment.

Amendments and Supplantation and the 911 Emergency and Trauma Care Act

While the overall intent of the 911 Emergency and Trauma Care Act initiative is to increase funding to specific health care providers and programs, the measure does contain a provision allowing the Legislature to amend the Act by statute to "further its purposes" subject to a four-fifths vote. Other than this provision, the initiative does not address any potential future increases or decreases in the new surcharge, or changes to program priorities.

With respect to supplantation, as previously reported to the Board by County Counsel on January 16, 2004, the initiative prevents the State from using the proceeds of the measure to supplant existing State funding streams, but does allow the State to recoup certain costs associated with administering the new Act, subject to a cap.

Status of Litigation Against the City of Los Angeles Concerning its Tax on Wireless Services

Your Board inquired of the status of a lawsuit involving the City of Los Angeles and whether the issues raised by the parties would clarify which governmental agency (i.e., the California Public Utilities Commission or the Federal Communications Commission) has jurisdiction over wireless companies and whether a state may tax long distance wireless calls to another state or country. County Counsel has advised that the basis for the suit does not address these issues, but rather involves a dispute as to whether the City may revise the method of calculating a utility users tax ("UUT") on wireless services. County Counsel has advised that the City had required wireless companies to pay a UUT based on the monthly access charges of cellular phone users. However, in August 2002, a newly enacted Federal law authorized local jurisdictions to tax wireless telephone services if the place of primary use is within its jurisdiction, and regardless of where a wireless call originates or terminates. As a result, the City of Los Angeles instructed wireless companies to revise their UUT calculations based on each user's full cellular telephone bill. In September 2003, Verizon and AT&T Wireless filed suit against the City alleging that the revised instructions for calculating the UUT requires voter approval pursuant to Proposition 218. This matter is still pending and County Counsel has indicated that it will continue to monitor the litigation in the event that the parties may raise other issues clarifying the questions raised by your Board.

DEJ:GK
MALJF:ib

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Department of Health Services



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DAVID E. JANSSEN
Chief Administrative Officer

January 9, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
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Fifth District

EMERGENCY MEDICAL SERVICES COMMISSION'S RECOMMENDATIONS TO ADDRESS THE IMPENDING CRISIS IN EMERGENCY MEDICAL SERVICES (ITEM NO. 38, AGENDA OF JANUARY 13, 2004)

Item No. 38 on the January 13, 2004 Agenda is a report from the Emergency Medical Services Commission (EMSC) on the November 13, 2003 public hearing hosted by the Commission to examine the impending crisis in emergency medical services in Los Angeles County. As a result of the hearing, the Commission developed seven recommendations, three of which address either a proposed State ballot measure or legislative issues and are the focus of this memo. The recommendations are to support 1) the State ballot initiative sponsored by the Coalition to Preserve Emergency Care, 2) the ongoing State emergency services appropriation to protect funding for physician call panels, and 3) legislation to develop additional nursing programs and to expand existing programs to educate more nurses in the State of California.

Support "The 911 Emergency and Trauma Care Act"

The State ballot initiative sponsored by the Coalition to Preserve Emergency Care, known as "the 911 Emergency and Trauma Care Act," would increase the surcharge on telephone calls made within California to fund 911 emergency dispatch, emergency rooms, trauma centers and emergency doctors. The measure is in circulation until January 12, 2004, and has yet to qualify for the November ballot. If enacted, the initiative would be effective January 1, 2005. Among the sponsors of the measure are the California Healthcare Association, the California Medical Association, the California Primary Care Association, and the American College of Emergency Physicians of California.

The measure would increase the 911 surcharge by 3 percent to 3.7 percent on telephone calls made within California. Although there have been no formal analyses of the initiative proposal, a California Medical Association newsletter notes that it would raise an estimated \$600 million to \$800 million annually. The measure would cap the cost of the surcharge for residential telephone customers at a maximum of 50 cents per month and exempt senior citizens and others who are on basic life-line rates. However, the cap on residential customers does not apply to mobile telephone services.

The measure would allocate the revenue as follows: 60% to emergency and trauma hospital services, 30.5% to emergency and trauma physician services, 5% to community clinics which provide urgent and primary care services, 3.75% to emergency and trauma first responders and paramedics, and 0.75% to the 911 emergency telephone systems. The funding for hospital, physician and clinic services would reimburse the costs of care rendered to uninsured and underinsured patients.

The Department of Health Services/Emergency Medical Services (DHS/EMS) indicates that this ballot initiative will help to address the emergency medical services crisis by: 1) increasing funding to overcrowded emergency departments to help them meet the growing demand for emergency care, 2) helping to fund community clinic care for the uninsured, which would provide some relief for emergency department overcrowding, 3) reimbursing emergency physicians and on-call specialists for uncompensated care, which will help to ensure that physicians continue to participate on call panels and provide emergency medical services, 4) providing funds to train more paramedics and equip Advanced Life Support units to ensure timely prehospital care to all parts of the County, and 5) helping the County-operated hospitals continue as the healthcare "safety net" by ensuring a steady funding stream for indigent and uninsured care. Therefore, DHS recommends that the County support the State ballot initiative sponsored by the Coalition to Preserve Emergency Care, known as "the 911 Emergency and Trauma Care Act."

Historically, the County has supported emergency medical and trauma care funding. For example, the County sponsored Measure B in 2002 which raised property taxes for emergency and trauma care, and SB 726 (Romero), which would provide the County with the authority to pursue a local alcohol tax for similar purposes. However, because there is no existing County policy regarding increasing the telephone surtax to fund emergency medical services, support for this measure is a matter for Board policy determination.

Support Ongoing State Appropriations for Emergency Medical Services

AB 1762, the budget trailer bill addressing health issues in the 2003-04 State Budget, included a \$25 million appropriation for distribution to physicians providing uncompensated

emergency services. The County supported this budget appropriation consistent with existing legislative policy to support proposals to provide permanent, stable funding for the County's public and private emergency and trauma care system. This policy was reaffirmed in the State Legislative Agenda for the second year of the 2003-04 State Legislative Session approved by the Board on December 16, 2003. Because this funding will help hospitals maintain current levels of trauma and emergency services by ensuring that physicians will continue to participate on call panels, **DHS recommends that the County support ongoing State appropriations for Emergency Medical Services, and we concur.**

Support Legislation to Develop and Expand Nursing Programs

The Department of Health Services/Emergency Medical Services indicates that expanding educational programs, developing innovative approaches to attract students to nursing, and supporting them through the program, will help to decrease the nationwide nursing shortage and ensure adequate nursing staff for the future.

Historically the County has supported a number of measures which were intended to increase the availability of nursing staff. For example, the County sponsored SB 885 (Polanco) in the FY 2001-02 Legislative Session seeking a \$3 million State appropriation for the Los Angeles County College of Nursing and Allied Health to expand the program and help to address the nursing shortage in California. However, SB 885 died in the Senate Education Committee without a hearing.

Consistent with existing County legislative policy to support State funding for the Los Angeles County College of Nursing and Allied Health, and enhanced funding for nursing education and training at public universities and teaching hospitals, **DHS recommends that the County support legislation to develop additional nursing programs and to expand existing programs to educate more nurses in the State of California, and we concur.**

DEJ:GK
MAL:JF:MS:hg/n

c: Executive Officer, Board of Supervisors
County Counsel
Department of Health Services



October 30, 2003

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative entitled "The 911 Emergency and Trauma Care Act" (File No. SA2003RF0043). This measure would increase the existing emergency telephone surcharge to provide funding for uncompensated emergency medical care in California.

Background

Emergency Telephone Number Surcharge

The Department of General Services (DGS) and the Board of Equalization are responsible for administering the State Emergency Telephone Number (911) Account. The 911 Account is funded through a surcharge that is placed on each monthly phone bill (each user could potentially receive bills from multiple phone companies). Under current law, the surcharge rate can be set up to 0.75 percent. The state has currently set the rate at 0.72 percent. Revenues in the 911 Account are used to reimburse government agencies and telephone companies for equipment and related costs associated with California's 911 emergency phone system. Due to an increase in the number of cellular phone accounts, the 911 account has maintained a reserve that has ranged from \$15 million to \$80 million in recent years. The revenue projected from the current surcharge in 2003-04 is \$133 million.

Costs and Funding for Uncompensated Emergency Care

Under state and federal law, any person seeking emergency medical care must be provided such care regardless of their ability to pay. As a result, hospitals and physicians who provide emergency and trauma care are often not fully compensated for the care they provide.

Some of the cost of this uncompensated care is partly offset by various state and county government subsidies. For example, the current state budget allocates about

\$25 million in state tobacco product tax revenues received under a 1988 initiative known as Proposition 99, to help pay for uncompensated emergency care provided by hospitals and physicians, and an additional \$6.8 million for community clinics. Because the number of tobacco users is declining, this funding source has and will continue to decrease.

Also, under existing law, each county is authorized to establish a Maddy Emergency Medical Services Fund comprised of specified revenues from criminal fines and penalties. Counties may use up to 10 percent of these revenues for the cost of administering the fund. After these costs have been deducted, 58 percent of the remaining funds are to be used to reimburse physicians for uncompensated emergency and trauma care, 25 percent to reimburse hospitals for such care, and 17 percent for other emergency medical services such as regional poison control centers.

Even with these subsidies, hospitals and physicians generally are not being compensated for all of the emergency and trauma care that they provide.

Proposal

New Revenues Generated Under the Measure

This measure increases funding for emergency medical care by imposing an additional 3 percent emergency telephone surcharge, in addition to the existing surcharge, on intrastate telephone calls. The measure specifies that a telephone company could not bill a surcharge to a residential user of more than 50 cents per monthly phone bill. The amount of the surcharge on mobile telecommunication services and commercial telephone lines would not be capped. Revenues from the increased surcharge would be deposited in a new 911 Emergency and Trauma Care Fund established by the measure.

Other Funding Provisions

In addition to providing the new revenues, this measure contains some provisions that would affect the allocation of existing state and local funds.

First, the initiative requires all counties to establish a Maddy Fund and transfers a portion of the local Maddy Emergency Services Fund revenues to the state for emergency physician and surgeon reimbursements. While the purpose of these funds would remain the same, this measure would generally shift the administration of the money from counties to the state. However, a county could apply for and obtain permission from the state to administer its existing Maddy funds for physicians and surgeons, as well as the additional funding made available under this initiative for uncompensated emergency and trauma care provided by physicians and surgeons.

In addition, this measure would require that certain appropriations of Proposition 99 funding to reimburse physicians and community clinics for uncompensated emergency room and trauma care be continued in future years at the current level of funding.

How This Funding Would Be Spent

Funding Allocated to Various Accounts. This measure would allocate the additional revenues from the new telephone surcharge to the 911 Emergency and Trauma Care Fund, which in turn would be distributed to the following accounts:

- 0.75 percent to the 911 Account.
- 3.75 percent to the Emergency and Trauma First Responders Account.
- 5 percent to the Community Clinics Urgent Care Account.
- 30.5 percent to the Emergency and Trauma Physician Uninsured Account.
- 60 percent to the Emergency and Trauma Hospital Services Account.

Additionally, the measure would establish the Emergency and Trauma Physician Unpaid Claims Account and would shift 58 percent of penalty assessments now being collected by county Maddy Emergency Medical Services Funds to this new state-administered account. The Proposition 99 appropriations that would be continued under the initiative would be allocated under the measure to several of the accounts specified above.

Funding Purposes and Administration. Most of the additional revenues generated by this measure would be used to reimburse physicians and hospitals for uncompensated emergency and trauma care. A smaller portion of the funding would be used to improve the state's emergency phone number system, to help train and equip "first responders" (such as firefighters and paramedics) for emergencies, and to support community clinics. Below is a more detailed description of the purpose of these various proposed accounts and how they would be administered.

The 911 Account would be administered by DGS for the purpose of making technological and service improvements to the basic emergency phone number system. Under the measure, the DGS would establish criteria for disbursing these funds to state or local agencies.

Emergency and Trauma First Responders Account funding would be administered by the Office of the State Fire Marshal and would be allocated to the California Firefighter Joint Apprenticeship Training Program for training and related equipment for firefighters, paramedics, and other first responders.

Community Clinics Urgent Care Account funds would be allocated by the Office of Statewide Health Planning and Development (OSHPD) to nonprofit clinics providing

urgent care services to the uninsured. Funding would generally be allocated based upon each clinic's total number of reported medical "encounters" with uninsured patients (such as a visit to a clinic to see a doctor). Reimbursements to OSHPD for its administrative costs would be limited to 1 percent of the funds credited to the account during a fiscal year.

The Emergency and Trauma Physician Uninsured Account and the Emergency and Trauma Physician Unpaid Claims Account would provide reimbursement of claims filed by physicians and surgeons who are not employed by hospitals and who provide uncompensated emergency services to patients. Both accounts would be administered by the Department of Health Services (DHS), but a county could apply for and obtain permission to administer the funds allocated from these accounts within its jurisdiction. The Emergency and Trauma Physician Service Commission, consisting of ten emergency medical professionals, would be created in DHS to provide advice on all aspects of the accounts as well as to review and approve relevant forms, guidelines, regulations, and county applications to administer funds from these accounts. Reimbursement to DHS for these administrative costs would be limited to 4 percent of the total account receipts each fiscal year, although the commission would be authorized to set a different percentage limit.

Funds in the Emergency and Trauma Hospital Services Account would be distributed by DHS to hospitals to reimburse them for the cost of uncompensated emergency and trauma care. Funds would be allocated based on each hospital's number of emergency department visits, the amount of charity care a hospital provided, and losses from unpaid bills for hospital services. Up to 1 percent of the fund's receipts could be used to reimburse DHS for the administrative costs of this account.

Fiscal Effects

New Revenues for Emergency Care Services. Based upon the current number of residential and commercial landlines and cellular phone subscribers, we estimate that increasing the existing surcharge by 3 percent would raise about \$550 million in additional annual revenues (probably growing in future years). The number of residential users affected by the monthly cap is difficult to estimate and would depend on variations in monthly phone usage.

Impact on Existing State and Local Revenues. Based on the most recent data available from 2001-02, we estimate that this initiative would result in the transfer each year of about \$32 million to the state from the county Maddy Emergency Medical Services Funds to reimburse physicians and surgeons for uncompensated emergency care.

The measure also would allocate about \$32 million per year in Proposition 99 funds to reimburse physicians and surgeons and community clinics for uncompensated

emergency care. These funding allocations would provide a fixed continuing source of revenue for uncompensated medical services, but could occur at the expense of other programs reliant on funding available from Proposition 99, because tobacco levies are a declining source of state revenues.

State and Local Administrative Costs. This measure would result in increased state administrative expenditures for the implementation of a number of its provisions. We estimate that the *ongoing* administrative costs incurred by state departments would probably amount to about \$5 million to \$6 million dollars annually, which are to be offset by the additional revenues generated under this measure.

State departments would also incur significant *one-time* start-up costs to develop the necessary forms, regulations, and accounting systems to administer the larger accounts proposed in this measure. For OSHPD, it is possible these one-time costs could exceed the resources provided for this purpose by the initiative by several hundred thousands of dollars. State departments may also incur minor loan interest expenses if insufficient revenues were available at the time of the start-up activities.

The measure would also result in minor administrative expenditures at the local level, particularly in counties that have not established a Maddy Emergency Medical Services Fund and now would be required to do so.

Summary

The measure would have the following significant fiscal effects:

- Increased revenues of about \$550 million annually from increased charges on telephone usage for emergency care services and other specified purposes. These revenues would probably grow in future years.

Sincerely,

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Legislative Analyst

Steve Peace
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